

Omnis Agility



Global markets react to inflation pressures, slower interest rate cuts, political uncertainty and trade tensions

Market-moving events

UK stocks rise as inflation drops. The FTSE 100 hit a record high as UK inflation fell to 2.5%, raising hopes for rate cuts. Government bond yields spiked before easing, while Labour's tax and spending plans added uncertainty. The economy grew just 0.1% in November, with weak retail sales. Unemployment rose to 4.4%, signaling a potential slowdown in the jobs market.

Trump's tariffs shake markets. US stocks dipped as Trump raised tariffs on Mexico, China and Canada. Bond yields climbed after strong job growth, with 256,000 jobs added. The Fed held rates at 5.25%, citing stubborn inflation, which rose to 2.9%. Core inflation eased slightly to 3.2%. Markets grew cautious over how tariffs might impact inflation and economic growth.

China's economy under pressure. China's markets fell as trade fears and weak demand hit sentiment. The yuan dropped to a 16-month low, while inflation slowed to 0.1%, raising deflation concerns. Exports rose 10.7% year-on-year, providing a rare boost. Policymakers face challenges reviving growth amid weak domestic demand and escalating trade tensions with the US.

Investment highlights

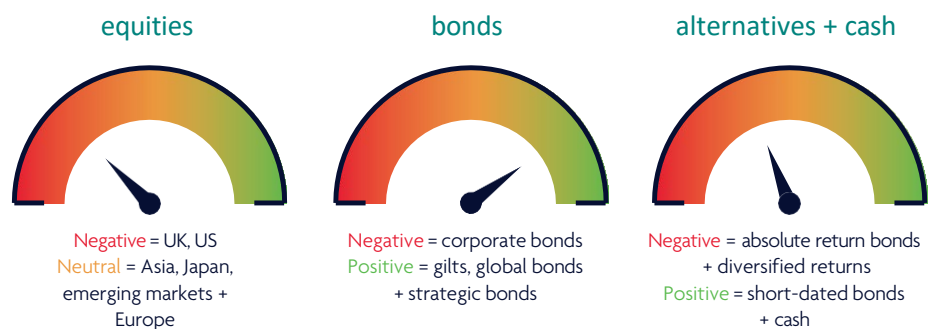
A positive month for markets. Global equities performed well, with UK and European stocks particularly strong. Both large and small caps rose as inflation eased. Value stocks outperformed growth stocks, mainly due to weakness in large-cap tech. Government bonds outperformed corporate bonds, as market sentiment remained cautious despite expectations for interest rate cuts.

Tactical asset allocation. Rate cuts should pave the way for out-of-favour asset classes to come back into vogue, including value, small cap and sovereign debt. Investors are already tilting their portfolios to these areas. We recently added new ETFs to the Omnis Agility portfolios to capture these themes, LATAM equities, UK Smaller Companies, and US energy ETFs. You can read more about these trades [here](#).

We remain cautiously positioned. We have an overweight allocation to bonds and slight underweight in equities. Although stock markets have rallied, a weaker economy could put pressure on company revenues. Our central case remains falling inflation, a peak in the interest rate cycle and a soft landing, but with a larger than normal risk of a deeper recession.

Asset allocation

Red = underweight
Amber = neutral weighting
Green = overweight



www.omnisinvestments.com

Issued by Omnis Investments, which is authorised and regulated by the Financial Conduct Authority. Registered address: Auckland House, Lydiard Fields, Swindon SN5 8UB. This update reflects our view at the time of writing and is subject to change. The document is for informational purposes only and is not investment advice. We recommend you discuss any investment decisions with your financial adviser. Omnis Investments is unable to provide investment advice. Every effort is made to ensure the accuracy of the information, but no assurance or warranties are given. Past performance should not be considered as a guide to future performance.

Approved by Omnis Investments on 5 February 2025